



TESTIMONY FROM
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DEPARTMENT OF HOMELAND SECURITY
UNDER SECRETARY FOR MANAGEMENT
BEFORE THE HOUSE COMMITTEE ON SMALL BUSINESS
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Ms. Chairwoman Velázquez, Congressman Chabot, and Members of the Committee, thank you for the opportunity to examine the actions the Department of Homeland Security (DHS) has taken to increase contracting opportunities for local small businesses affected by disasters.

As you know, I undertook the job of Under Secretary for Management at DHS eight months ago. For the previous three and one half years I was a defense and aerospace consultant doing work for the National Aeronautics and Space Administration, the Federal Aviation Administration, the Department of Defense, the United States Coast Guard and others. Prior to this I was a career civil servant for 38 years. I began my career at the Portsmouth Naval Shipyard as a project engineer in 1965 working on nuclear submarines. My last three government positions were Senior Acquisition Executive at the National Security Agency (NSA), Principal Deputy Assistant Secretary of the Navy (Research, Development and Acquisition) and Executive Director and Senior Civilian of the Naval Sea Systems Command, the Navy's largest shore establishment.

The Federal Emergency Management Agency (FEMA) is the Department's lead disaster operational component and, as such, is the focal point for preparing for and responding to disasters. Its role in these matters was strengthened by Congress as a result of the Post Katrina Reform Act, "Local Community Recovery Act of 2006," which significantly enhanced FEMA's ability to provide local small business set-asides for disaster affected areas. FEMA has a key role in engaging the small business community and directing the maximum share of dollars back into local economies affected by disasters.

On October 4, 2006, section 307 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. § 5150) was amended by section 694 of the Department of Homeland Security Appropriations Act, 2007, Public Law 109-295. The amendment required that contracts for major disaster assistance activities be preferentially awarded to local businesses.

FEMA responded to the change in legislation through adoption of new procedures and strategies that facilitate the maximum level of engagement with local contracting communities. Prior to issuing a solicitation, FEMA conducts market research to determine whether or not the capabilities of small local businesses meet program requirements. If small local businesses are determined to possess the necessary qualifications, then the solicitation is structured either as a local small business set-aside or price evaluation preference. If no such business is available, the scope of the set-aside is expanded to include all local businesses (rather than only small local businesses). If no local businesses are available, then the geographic scope of the set-aside is expanded to the state level, then to the Gulf Coast Region, and finally open to a national pool of contractors. Contract files document the determination and findings regarding the availability of capable local firms.

On June 22, 2007 the U.S. Small Business Administration (SBA) provided the committee with an informational list of DHS contracting opportunities to small businesses, including small businesses affected by hurricane Katrina and other disasters, utilizing the local set-asides discussed above. The list provided seven small business contracting opportunities ranging from construction, to professional, administrative, and management support services, to information technology services, including telecommunications services and communication, detection, and coherent radiation equipment.

DHS is committed to a unified team approach that involves senior management, small business specialists, acquisition personnel and program staff in efforts to support the critical homeland security mission and at the same time meet the important public policy objective of small business inclusion in the Federal market place. As such, DHS's Office of Small and Disadvantaged Business Utilization (OSDBU) and the DHS component agencies (Customs and Border Protection, Federal Law Enforcement Training Center, Immigration and Customs Enforcement, Transportation Security Administration, FEMA, U.S. Secret Service, U.S. Coast Guard, and DHS Headquarters Office of Procurement Operations) work as a team to accomplish the critical agency mission while supporting public policy objectives. Each component agency procurement office has assigned a Small Business Specialist to oversee the small business programs within their respective organizations.

Since its establishment in 2003, the DHS small business goal achievement has had a solid track record. In FY 2006, DHS achieved 31.62% in small business prime contracting and 10.75% for overall small disadvantaged businesses (SDB) (6.18% 8(a), 4.57% other SDB) for a total small business obligated dollar amount of over 4.4 billion dollars (\$4,400,575,711) and a total overall SDB obligated dollar amount of almost 1.5 billion dollars (\$1,496,530,345). The Government-wide small business goal is set at 23% for prime contracting. The DHS OSDBU has shown its commitment to small business contracting by raising the bar from the Government-wide goal of 23% to a proactive and aggressive 30% small business goal for FYs 2006 and 2007. The Government-wide small disadvantaged business goal is set at 5% (2.5% for 8(a) and 2.5% for other SDB), and DHS has raised its own SDB goal to 8% (4% for 8(a) and 4% for SDB) for FYs 2006 and 2007.

The U.S. Small Business Administration (SBA) has recognized the Department's efforts to maximize opportunities for small business. During the last four years, SBA has twice selected DHS for its top award, the Gold Star Award, for overall sustained small business achievement, and for the Francis Perkins Award for women-owned small business achievement.

Small Business Participation in FEMA Contracting

Each DHS component plays an integral role in enabling the Department to meet Agency goals for small business utilization. Following Hurricane Katrina, the alignment of recovery efforts with small business utilization goals has been critical to revitalizing affected communities. FEMA has played a key role in engaging the small business community and directing the maximum share of dollars back into local economies.

I. Socio-economic achievements related to Hurricane Katrina and Rita Recovery

In response to Hurricanes Katrina and Rita, DHS has obligated to date approximately \$8.995 billion for recovery. Of this total, DHS has awarded 28% of the contract dollars to small businesses and 8% to small disadvantaged businesses. These achievements are depicted in Figure B.

FIGURE B
Hurricane Katrina and Rita Socio-economic View
Aug 29, 2005 through July 18, 2007

Dept.	Total Obligations	Small Business		Small Disadvantaged Business		Woman-Owned		HUBZone		Service-Disabled Veteran-Owned Business	
DHS Katrina & Rita (to include FEMA)	\$8,995,086,121	\$2,488,742,312	27.7%	\$689,029,774	7.7%	\$383,927,872	4.3%	\$324,209,766	3.6%	\$117,433,293	1.4%

Information as of 07/19/2007 10:00 A.M. EST. Source: FPDS

Additionally, FEMA has worked to engage the local business community, with 21% of all dollars obligated currently to local businesses in the Gulf Coast Region for prime contracts as depicted in Figure C.

FIGURE C:
FEMA Vendor Obligations by State (Vendor Location)

Vendor State	Dollars Obligated	Percent of Total Dollars
LA	\$884,761,256	10.3%
AL	\$198,525,335	2.3%
MS	\$187,000,204	2.2%
TX	\$558,025,382	6.5%
TOTAL	\$1,796,645,642	21.3%

Information as of 07/18/2007 10:00 A.M. EST. Source: FPDS

II. Awards to Small Businesses

In the immediate aftermath of Hurricane Katrina in 2005, noncompetitive Individual Assistance-Technical Assistance Contracts (IA-TAC I) were awarded to four companies--Bechtel, CH2M Hill, Fluor, and Shaw- based on the need to fill urgent requirements. The IA-TAC I contractors supported the disaster relief housing mission. At the current time, no additional IA-TAC I requirements exist, and these four contracts are in close-out phase.

All four contractors utilized small businesses and local businesses as subcontractors to a large extent during contract performance. Many aspects of subcontracting are good for local businesses and for small businesses. For example, of the actual subcontracting dollars expended by the four large IA-TAC I contractors, small businesses and local businesses received the following percentages of those dollars:

	Bechtel	CH2MHill	Shaw	Fluor
Small Business	81.9%	75.8%	66.3%	66.5%
Local Business	70.3%	44.8%	78.0%	52.9%

Another benefit of the IA-TAC I subcontracting was that qualified subcontractors had the opportunity to mature their skills in each mission area and build capacity to support future FEMA's needs. As a result of these subcontracts, FEMA now has a much larger pool of highly-qualified Section 8(a) and other small businesses that can compete directly for future prime contracts and support FEMA's future disaster response efforts.

Illustrative of the success of the subcontracting relationships formed under IA-TAC I is the fact that many of the former subcontractors are now filling agency requirements in the Gulf Coast as prime contractors under new contracts.

Since the expiration of the IA-TAC I requirements last year, many of these efforts are now being supported using local small businesses, several of which were former subcontractors under IA-TAC I.

FEMA initiated a competitive process directed at participation from entities within the local affected communities to fulfill many of the responsibilities originally performed under IA-TAC I. These requirements were divided into four separate work statements for

services: (1) Maintenance and Deactivation; (2) Grounds Maintenance; (3) Mississippi Blocking, Leveling, and Anchoring of Travel Trailers; and (4) Security.

Maintenance and Deactivation Contracts (MDCs)

A total of 36 Maintenance and Deactivation Contracts (MCDs) were awarded to small businesses during April and May 2006 for the Gulf Region. Each contract has a ceiling of \$100 million over a maximum five-year period.

Participation in the MDC bidding process was limited to Section 8(a) firms and small business concerns residing or primarily doing business in the affected areas. In November 2006, the remaining hauling and installation requirements for Louisiana and Mississippi also were transferred from the IA-TAC I contractors to the MDCs. The Louisiana and Mississippi MDCs were invited to compete for the associated task orders.

Following is a summary of FEMA's efforts under the first 36 MDC contract awards:

- Fifteen of these contracts were awarded to Louisiana businesses, of which eight were 8(a) Small Disadvantaged Businesses and seven were Small Business Concerns. Among this group, five were HUBZone Small Business Concerns, nine were Woman-Owned Business Concerns, and two were Service-Disabled Veteran-Owned Business Concerns.
- Ten Maintenance and Deactivation Contracts were awarded in Mississippi—five to Section 8(a) Small Disadvantaged Businesses and five to Small Businesses. Of these businesses, three were HUBZone Small Business Concerns, three were Woman-Owned Business Concerns, and one was a Service-Disabled Veteran-Owned Business Concern.
- In Texas, two contracts were awarded to Section 8(a) Small Disadvantaged Businesses and three were awarded to Small Businesses. Among these were two Woman-Owned Business Concerns, one Service-Disabled Veteran-Owned Business Concern
- In Alabama, three contracts were awarded to Section 8(a) Small Disadvantaged Businesses and three were awarded to Small Businesses, including one HUBZone Small Business Concern.

Grounds Maintenance Contracts

Grounds Maintenance Contracts were awarded to 14 firms in Louisiana and five companies in Mississippi in September 2006. The bidding process was limited to participation by Service-Disabled Veteran-Owned Small Business (SDVSB) firms residing or primarily doing business in Louisiana and Mississippi, respectively.

Mississippi Blocking, Leveling, and Anchoring Contracts

The Mississippi Blocking, Leveling, and Anchoring contracts were awarded in September 2006 to six companies. Bidders were required to be HUBZone-certified with the Small Business Administration and to be residing or primarily doing business in Mississippi.

Security Contracts

The Security contracts were awarded to three Small Businesses which provided security services for the group sites in Mississippi and Louisiana. FEMA recently conducted a competition off the GSA schedule directed at local firms. Three task orders were preliminarily awarded; one for Mississippi and two for Louisiana. One of the Louisiana awards was to a HubZone Small Business. This requirement is currently under protest.

Other Small Business Awards

In addition to the many contract awards issued to Small Businesses and local businesses for requirements transitioned from IA-TAC I, FEMA has issued several other major procurements which support DHS's goals of maximizing contracting opportunities with small and local businesses. Some of these awards are as follows:

- Base Camps: FEMA negotiated Blanket Purchase Agreements (BPAs) with provisions to meet the possible need for future base camp requirement agreements in the Gulf Coast region to support the 2006 hurricane season. These BPAs included provisions for all necessary supervision, professional staff, labor support, material, supplies, and equipment as necessary to make base camps and supported the operation of maintaining a base camp within disaster-impacted areas within 72 hours to staff and support a minimum of 300 occupants and a maximum of 2000.
- Group Sites: On January 10, 2007, FEMA announced a pending procurement for the design-build of new Group Sites in Louisiana and Mississippi. This procurement is restricted to, and set-aside for, participation by small businesses residing or primarily doing business in the States of Louisiana and Mississippi. It is intended to support the program's current requirements to build sites in the New Orleans area as well as any emerging requirements in those states over the next three years.
- Uniform Federal Accessibility Standards (UFAS) Hauling and Installation: FEMA awarded five Indefinite Delivery Indefinite Quantity (IDIQ) contracts to Louisiana small businesses and four HubZone-certified small businesses in Mississippi for the hauling and installation of UFAS-compliant trailers and the building and installation of UFAS-compliant ramps. This requirement enabled FEMA to provide disabled FEMA applicants with temporary housing that complies with the timelines set forth in a settlement agreement entered into in federal class action lawsuit, *Brou vs. FEMA*. Requirements in Louisiana have decreased since award in September 2005, and contractors have met all

requirements in Mississippi. Performance is continually monitored for timeliness and quality assurance for the contractors in Louisiana still meeting requirements.

- **Group Site UFAS Modifications:** In early March 2007, FEMA awarded a contract to a Louisiana 8(a) Tribally-owned HUBZone firm to support the retrofit of approximately 40 group and exclusive sites to meet UFAS. This procurement represents a significant step forward in FEMA's ability to support the disabled community, as well as local small business concerns.

III. Awards Made in Response to Recent Midwestern Disasters

Small and local businesses partners in the Midwest have been integral in meeting FEMA mission requirements resulting from the tornadoes which hit Greensburg, Kansas and the flooding which occurred in Missouri this past May. In both areas, FEMA utilized small and local utility companies in order to restore basic needs back to the affected communities. In addition, many small and locally-owned businesses and franchises of national companies provided a number of goods such as potable water, ice, equipment rental, vehicles, box trucks, tents, gasoline and diesel fuel, temporary toilets, pest control, copiers and many other goods. Electricians, plumbers, and carpenters based in the local area have also provided many services to assist in rebuilding efforts.

IV. Upcoming Opportunities for Small Businesses

The following is a list of current solicitations posted on Federal Business Opportunities which are set aside for small and/or local businesses:

- Trailer deactivation services in Louisiana and Mississippi;
- Forklift and heavy equipment rental in disaster-affected areas of Alabama and Mississippi; and
- Support in providing an assessment of the public water and sewer infrastructure in the City of New Orleans.

V. FEMA Strategy to Increase Small Business Awards

In order to facilitate further collaboration with the Small Business community, FEMA is taking the following steps:

- Participation by FEMA Acquisition Branch Chiefs and procurement leadership in outreach forums to meet with the small business community and to conduct meetings with interested vendors/contractors during which they may present their respective company capabilities and performance record.
- Active use of FEMA's small business program representative to network and connect with interested vendors of various socioeconomic groups, track small business statistics, and gauge FEMA contracting metrics against Agency goals set by the SBA.

- Development of goals and acquisition strategies which are increasingly structured for maximizing the number of awards to small businesses.
- Networking with representatives of the U.S. Small Business Administration, including the Louisiana District Office and local small business development centers.
- Participation in local, state and national conferences, seminars and exhibits to better understand current small business issues and interface with business and industry.
- Creation of a database of contact information and portfolios for local Small, Service-Disabled Veteran-Owned, 8(a), HUBZone, and Woman-owned Businesses to be utilized by contracting professionals.

Thank you for your leadership and your continued support of the Department of Homeland Security and its small business program. Also, thank you for this opportunity to be here today. I am happy to answer any questions that you may have.